

dom and without any limitations upon the power of the Scotch banks to establish their branches in London.

The essential features of the Scotch system of banking have been freedom of note issues, the use of small notes, and cash credits. The great achievements of the system with these elements may be summed up thus :

1. It has provided Scotland with an elastic currency, adapted to the condition of her industries and adequate in volume to their changing needs.
2. It has enabled the people to carry on numerous commercial and agricultural transactions for which they could not have found the necessary quantity of coin and has economized the locking up of capital in the precious metals.
3. It has made the use of notes of small denominations familiar and popular and has taught the people the distinction between bank-notes as the representatives of credit and the precious metals as the measures of value.
4. It has brought into active use the available savings and capital of the country.
5. It has afforded an opportunity for entering upon business to thousands of poor but honest men and enabled them to lay the foundation of a comfortable home and in many cases of a fortune.
6. It has convinced the people so conclusively of the value and safety of the banking currency system that no serious panic has ever lasted beyond a few days or has ever affected any of the banks except those which were justly the subject of distrust.

I. The first proposition, that the Scotch banking system has provided the country with an elastic and adequate currency, is strictly applicable only to the period between 1765, when payment of notes on demand was made obligatory by law, and 1845, when the volume of authorized circulation was arbitrarily limited. The limitation imposed in 1845 could

not be seriously objected to at that time, because it left the authorized circulation at the amount then existing. The moderate demands of changing seasons for an increased volume of circulation could easily be met by issues of notes